

**MESERVEY-THORNTON COMMUNITY SCHOOL DISTRICT
THORNTON, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

YEAR ENDED JUNE 30, 2004

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 14-15
Statement of Activities	B 16-17
Governmental Fund Financial Statements:	
Balance Sheet	C 18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 20
Statement of Revenues, Expenditures and Changes in Fund Balances	E 21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 23
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 25
Statement of Cash Flows	I 26-27
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 28
Notes to Financial Statements	29-43
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances/Net Assets – Budget and Actual – (Modified Accrual Basis)	
All Governmental Funds and Proprietary Fund	44-45
Notes to Required Supplementary Information – Budgetary Reporting	46

Table of Contents (continued)

	<u>Page</u>
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 48
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 49
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	4 50
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5 51
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting	52-53
Schedule of Findings	54-56

Meservey-Thornton Community School District
Thornton, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

**Board of Education
(Before September 2003 Election)**

Kent Pals	President	2003
Andrew Faaborg	Vice President	2003
Betty Jensen	Board Member	2003
Bret Lage	Board Member	2004
Christy Engebretson	Board Member	2004
Richard Miller	Board Member	2005
Ron Payton	Board Member	2005

**Board of Education
(After September 2003 Election)**

Kent Pals	President	2006
Bret Lage	Vice President	2004
Christy Engebretson	Board Member	2004
Richard Miller	Board Member	2005
Ron Payton	Board Member	2005
Betty Jensen	Board Member	2006
Dawn Brosdahl	Board Member	2006

School Officials

Clifford G. Cameron	Superintendent	2004
Connie Stadtlander	District Secretary/Treasurer and Business Manager	2004
Chuck McManigal	Attorney	2004

Independent Auditor's Report

To the Board of Education of
Meservey-Thornton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Meservey-Thornton Community School District, Thornton, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Meservey-Thornton Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Meservey-Thornton Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's

Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2004 on our consideration of Meservey-Thornton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meservey-Thornton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CORNWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 23, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Meservey-Thornton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,487,019 in fiscal 2003 to \$1,543,075 in fiscal 2004, while General Fund expenditures increased from \$1,488,594 in fiscal 2003 to \$1,531,761 in fiscal 2004. The District's General Fund balance increased from \$230,571 in fiscal 2003 to \$235,212 in fiscal 2004, a 2% increase.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures and also an increase in support services.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Meservey-Thornton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Meservey-Thornton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Meservey-Thornton Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004.

	Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)		
	Governmental Activities June 30, 2004	Business type Activities June 30, 2004	Total District June 30, 2004
Current and other assets	\$ 1,431	\$ 7	\$ 1,438
Capital assets	<u>625</u>	<u>2</u>	<u>627</u>
Total assets	<u>2,056</u>	<u>9</u>	<u>2,065</u>
Long-term liabilities	269	---	269
Other liabilities	<u>910</u>	<u>1</u>	<u>911</u>
Total liabilities	<u>1,179</u>	<u>1</u>	<u>1,180</u>
Net assets:			
Invested in capital assets, net of related debt	385	2	387
Restricted	143	---	143
Unrestricted	<u>349</u>	<u>6</u>	<u>355</u>
Total net assets	\$ 877	\$ 8	\$ 885

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$7,200, or 5.3% over the prior year. The increase was primarily a result of increased revenue in the Student Activity accounts.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$114,000, or 48%. This increase in unrestricted net assets was a result of the imposition of the school local option sales tax and the accrual of the income surtax.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4 Changes in Net Assets (Expressed in Thousands)			
	Governmental <u>Activities</u>	Business type <u>Activities</u>	Total <u>District</u>
Revenues:			
Program revenues:			
Charges for service	\$ 270	40	310
Operating grants, contributions and restricted interest	213	32	245
General revenues:			
Property tax	639	---	639
Local option sales and service tax	133	---	133
Income surtax	124	---	124
Unrestricted state grants	483	---	483
Unrestricted investment earnings	2	---	2
Other	11	---	11
Transfer	(5)	5	---
Total revenues	<u>1,870</u>	<u>77</u>	<u>1,947</u>
Program expenses:			
Governmental activities:			
Instruction	1,099	---	1,099
Support services	480	---	480
Non-instructional programs	---	82	82
Other expenses	84	---	84
Total expenses	<u>1,663</u>	<u>82</u>	<u>1,745</u>
Change in net assets	\$ 207	(5)	202
	=====	=====	=====

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$1,822,857 and expenses were \$1,737,521. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

Business Type Activities

Revenues for business type activities were \$72,148 and expenses were \$82,486. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Meservey-Thornton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$471,969, well above last year's ending fund balances of \$391,214. The primary reason for the increase in combined fund balances in fiscal 2004 is due to the approximate fund balance in the Capital Projects Fund of \$69,000. This is local option sales and service tax revenue.

Governmental Fund Highlights

- The General Fund balance increased from \$230,571 to \$235,212.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$95,809 in fiscal 2003 to \$94,075 in fiscal 2004.
- The Capital Projects Fund increased from \$0 in fiscal 2003 to \$68,827 in fiscal 2004.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$14,402 at June 30, 2003 to \$8,645 at June 30, 2004, representing a decrease of approximately 40%. For fiscal 2004, the District transferred \$4,581 from the General Fund to the School Nutrition Fund to help cover employee benefits.

BUDGETARY HIGHLIGHTS

The District's receipts were \$30,622 more than budgeted receipts, a variance of 1.6%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted by \$185,470, due primarily to the District's budget for the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$628,000, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$61,205.

The original cost of the District's capital assets was \$1.4 million. Governmental funds accounted for the majority of this.

Figure A-6 Capital Assets, net of Depreciation (Expressed in Thousands)			
	Governmental	Business type	Total
	<u>Activities</u>	<u>Activities</u>	<u>District</u>
	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Land	\$ 4	---	4
Buildings	432	---	432
Improvements and other buildings	10	---	10
Furniture and equipment	<u>179</u>	<u>2</u>	<u>181</u>
Totals	<u>625</u>	<u>2</u>	<u>627</u>
	=====	=====	=====

Long-Term Debt

At June 30, 2004, the District had \$269,189 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 10% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations (Expressed in Thousands)			
	Total		
	District		
	<u>June 30,</u>		
	<u>2004</u>	<u>2003</u>	
General obligation bonds	\$ 240	290	
Early retirement	<u>29</u>	<u>33</u>	
Totals	<u>\$ 269</u>	<u>323</u>	
	=====	=====	

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District is looking at consolidation in the near future. Joint board meetings are being held to discuss the future of our District.
- The District is looking at combining K-4 classes with Sheffield-Chapin Community School. The Sheffield-Chapin District will send their 5-8 students to Meservey-Thornton. This result may decrease both districts' expenditures. There is a possibility this would begin next year.
- The District is experiencing declining enrollment for this year and the District expects the enrollment to decline again next year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Connie Stadtlander, District Secretary/Treasurer, Meservey-Thornton Community School District, 100 Fifth Street North, Thornton, Iowa 50479.

Basic Financial Statements

Meservey-Thornton Community School District
Thornton, Iowa

Exhibit A

Statement of Net Assets

June 30, 2004

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents:			
ISCAP	\$ 210,295	-	210,295
Other	438,479	4,620	443,099
Receivables:			
Property tax:			
Delinquent	5,713	-	5,713
Succeeding year	677,000	-	677,000
Accounts	-	161	161
Accrued interest:			
ISCAP	641	-	641
Due from other governments	75,572	-	75,572
Prepaid expenses	23,969	-	23,969
Inventories	-	2,596	2,596
Capital assets, net of accumulated depreciation	624,897	2,005	626,902
Total assets	<u>2,056,566</u>	<u>9,382</u>	<u>2,065,948</u>
Liabilities			
Accounts payable	12,963	737	13,700
Salaries and benefits payable	6,525	-	6,525
Accrued interest payable	1,902	-	1,902
Deferred revenue - succeeding year property tax	677,000	-	677,000
ISCAP warrants payable	209,000	-	209,000
ISCAP accrued interest payable	2,812	-	2,812
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	55,000	-	55,000
Early retirement payable	3,649	-	3,649
Portion due after one year:			
General obligation bonds payable	185,000	-	185,000
Early retirement payable	25,540	-	25,540
Total liabilities	<u>1,179,391</u>	<u>737</u>	<u>1,180,128</u>

Meservey-Thornton Community School District
Thornton, Iowa

Exhibit A

Statement of Net Assets

June 30, 2004

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	384,897	2,005	386,902
Restricted for:			
Management levy	12,092	-	12,092
Physical plant and equipment levy	94,075	-	94,075
Other special revenue purposes	36,724	-	36,724
Unrestricted	349,387	6,640	356,027
Total net assets	<u>\$ 877,175</u>	<u>8,645</u>	<u>885,820</u>

See notes to financial statements.

Meservey-Thornton Community School District
Thornton, Iowa
Statement of Activities
Year ended June 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	\$ 748,982	85,621	97,915	-
Special instruction	280,167	133,079	55,081	-
Other instruction	69,549	51,723	-	-
	<u>1,098,698</u>	<u>270,423</u>	<u>152,996</u>	<u>-</u>
Support services:				
Student services	16,086	-	5,200	-
Instructional staff services	24,910	-	1,000	-
Administration services	229,665	-	-	-
Operation and maintenance of plant services	115,405	-	-	-
Transportation services	93,537	-	-	-
	<u>479,603</u>	<u>-</u>	<u>6,200</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	1,154	-	-	-
Long-term debt interest	13,627	-	-	-
AEA flowthrough	53,680	-	53,680	-
Depreciation (unallocated)*	16,036	-	-	-
	<u>84,497</u>	<u>-</u>	<u>53,680</u>	<u>-</u>
Total governmental activities	1,662,798	270,423	212,876	-
Business type activities:				
Non-instructional programs:				
Food service operations	82,486	40,379	31,750	-
Total	<u>\$ 1,745,284</u>	<u>310,802</u>	<u>244,626</u>	<u>-</u>

General Revenues:

Property tax levied for:

- General purposes
- Capital outlay

Local option sales and services tax

Income surtax

Unrestricted state grants

Unrestricted investment earnings

Other

Transfer

Total general revenues and transfers

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(565,446)	-	(565,446)
(92,007)	-	(92,007)
(17,826)	-	(17,826)
<u>(675,279)</u>	<u>-</u>	<u>(675,279)</u>
(10,886)	-	(10,886)
(23,910)	-	(23,910)
(229,665)	-	(229,665)
(115,405)	-	(115,405)
(93,537)	-	(93,537)
<u>(473,403)</u>	<u>-</u>	<u>(473,403)</u>
(1,154)	-	(1,154)
(13,627)	-	(13,627)
-	-	-
<u>(16,036)</u>	<u>-</u>	<u>(16,036)</u>
<u>(30,817)</u>	<u>-</u>	<u>(30,817)</u>
(1,179,499)	-	(1,179,499)
<u>-</u>	<u>(10,357)</u>	<u>(10,357)</u>
<u>(1,179,499)</u>	<u>(10,357)</u>	<u>(1,189,856)</u>
\$ 587,818	-	587,818
50,239	-	50,239
132,778	-	132,778
123,600	-	123,600
483,093	-	483,093
2,380	19	2,399
11,049	-	11,049
(4,581)	4,581	-
<u>1,386,376</u>	<u>4,600</u>	<u>1,390,976</u>
206,877	(5,757)	201,120
670,298	14,402	684,700
<u>\$ 877,175</u>	<u>8,645</u>	<u>885,820</u>

Meservey-Thornton Community School District
Thornton, Iowa

Balance Sheet
Governmental Funds

June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	Special Revenue Physical Plant and Equipment <u>Levy</u>
Assets				
Cash and pooled investments:				
ISCAP	\$ 210,295	-	-	-
Other	225,523	25,039	45,655	93,625
Receivables:				
Property tax:				
Delinquent	5,084	-	-	450
Succeeding year	586,000	-	-	62,000
Accrued interest:				
ISCAP	641	-	-	-
Due from other governments	52,400	-	23,172	-
Prepaid expenses	23,969	-	-	-
Total assets	<u>\$ 1,103,912</u>	<u>25,039</u>	<u>68,827</u>	<u>156,075</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 12,963	-	-	-
Salaries and benefits payable	6,525	-	-	-
ISCAP warrants payable	209,000	-	-	-
ISCAP accrued interest payable	2,812	-	-	-
Deferred revenue:				
Succeeding year property tax	586,000	-	-	62,000
Other	51,400	-	-	-
Total liabilities	<u>868,700</u>	<u>-</u>	<u>-</u>	<u>62,000</u>
Fund balances:				
Reserved for prepaid expenses	23,969	-	-	-
Reserved for teacher salary improvement	3,914	-	-	-
Reserved for debt service	-	25,039	-	-
Unreserved	207,329	-	68,827	94,075
Total fund balances	<u>235,212</u>	<u>25,039</u>	<u>68,827</u>	<u>94,075</u>
Total liabilities and fund balances	<u>\$ 1,103,912</u>	<u>25,039</u>	<u>68,827</u>	<u>156,075</u>

See notes to financial statements.

Exhibit C

Nonmajor Special <u>Revenue</u>	<u>Total</u>
-	210,295
48,637	438,479
179	5,713
29,000	677,000
-	641
-	75,572
-	23,969
<u>77,816</u>	<u>1,431,669</u>
-	12,963
-	6,525
-	209,000
-	2,812
29,000	677,000
-	51,400
<u>29,000</u>	<u>959,700</u>
-	23,969
-	3,914
-	25,039
<u>48,816</u>	<u>419,047</u>
<u>48,816</u>	<u>471,969</u>
<u>77,816</u>	<u>1,431,669</u>

Meservey-Thornton Community School District
Thornton, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 19) \$ 471,969

*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 624,897

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 51,400

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (1,902)

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds. (269,189)

Net assets of governmental activities (page 15) \$ 877,175

See notes to financial statements.

Meservey-Thornton Community School District
Thornton, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	Special Revenue Physical Plant and Equipment <u>Levy</u>
Revenues:				
Local sources:				
Local tax	\$ 615,462	-	132,778	74,787
Tuition	215,342	-	-	-
Other	16,358	81	59	196
State sources	631,091	-	-	41
Federal sources	<u>64,822</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,543,075</u>	<u>81</u>	<u>132,837</u>	<u>75,024</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	740,752	-	-	-
Special instruction	280,167	-	-	-
Other instruction	<u>23,422</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,044,341</u>	<u>-</u>	<u>-</u>	<u>-</u>
Support services:				
Student services	16,086	-	-	-
Instructional staff services	23,418	-	-	-
Administration services	223,235	-	-	25,092
Operation and maintenance of plant services	110,558	-	-	-
Transportation services	<u>60,443</u>	<u>-</u>	<u>-</u>	<u>49,890</u>
	<u>433,740</u>	<u>-</u>	<u>-</u>	<u>74,982</u>
Other expenditures:				
Facilities acquisition	-	-	-	1,776
Long-term debt:				
Principal	-	50,000	-	-
Interest and fiscal charges	-	14,010	-	-
AEA flowthrough	<u>53,680</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>53,680</u>	<u>64,010</u>	<u>-</u>	<u>1,776</u>
Total expenditures	<u>1,531,761</u>	<u>64,010</u>	<u>-</u>	<u>76,758</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,314</u>	<u>(63,929)</u>	<u>132,837</u>	<u>(1,734)</u>
Other financing sources (uses):				
Operating transfers in	-	64,010	-	-
Operating transfers out	<u>(6,673)</u>	<u>-</u>	<u>(64,010)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,673)</u>	<u>64,010</u>	<u>(64,010)</u>	<u>-</u>
Net change in fund balances	4,641	81	68,827	(1,734)
Fund balances beginning of year, as restated (note 10)	<u>230,571</u>	<u>24,958</u>	<u>-</u>	<u>95,809</u>
Fund balances end of year	<u>\$ 235,212</u>	<u>25,039</u>	<u>68,827</u>	<u>94,075</u>
See notes to financial statements.				

Exhibit E

Nonmajor Special <u>Revenue</u>	<u>Total</u>
20,008	843,035
-	215,342
51,816	68,510
16	631,148
-	64,822
<u>71,840</u>	<u>1,822,857</u>
-	740,752
-	280,167
<u>46,127</u>	<u>69,549</u>
<u>46,127</u>	<u>1,090,468</u>
-	16,086
-	23,418
5,920	254,247
7,694	118,252
<u>5,251</u>	<u>115,584</u>
<u>18,865</u>	<u>527,587</u>
-	1,776
-	50,000
-	14,010
-	53,680
-	119,466
<u>64,992</u>	<u>1,737,521</u>
<u>6,848</u>	<u>85,336</u>
2,092	66,102
-	(70,683)
<u>2,092</u>	<u>(4,581)</u>
8,940	80,755
<u>39,876</u>	<u>391,214</u>
<u>48,816</u>	<u>471,969</u>

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds (page 22)	\$	80,755
---	-----------	---------------

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$	81,155	
Depreciation expense		<u>(60,463)</u>	20,692

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.			51,400
--	--	--	--------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid			50,000
--------	--	--	--------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.			381
--	--	--	-----

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		<u>3,649</u>	
------------------	--	--------------	--

Change in net assets of governmental activities (page 17)	\$	<u>206,877</u>
--	-----------	-----------------------

See notes to financial statements.

Meservey-Thornton Community School District
Thornton, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2004

School
Nutrition

Assets

Cash and cash equivalents	\$ 4,620
Accounts receivable	161
Inventories	2,596
Capital assets, net of accumulated depreciation	<u>2,005</u>
Total assets	<u>9,382</u>

Liabilities

Accounts payable	<u>737</u>
Total liabilities	<u>737</u>

Net Assets

Invested in capital assets, net of related debt	2,005
Unrestricted	<u>6,640</u>
Total net assets	<u>\$ 8,645</u>

See notes to financial statements.

Meservey-Thornton Community School District
Thornton, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>40,379</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	34,220
Benefits	9,189
Purchased services	212
Supplies	38,123
Depreciation	<u>742</u>
Total operating expenses	<u>82,486</u>
Operating loss	<u>(42,107)</u>
Non-operating revenues:	
State sources	1,093
Federal sources	30,657
Interest income	<u>19</u>
Total non-operating revenues	<u>31,769</u>
Other financing sources:	
Transfer in	<u>4,581</u>
Change in net assets	(5,757)
Net assets beginning of year	<u>14,402</u>
Net assets end of year	<u><u>\$ 8,645</u></u>

See notes to financial statements.

Meservey-Thornton Community School District
Thornton, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

School
Nutrition

Cash flows from operating activities:

Cash received from sale of lunches and breakfasts	\$ 40,250
Cash received from miscellaneous operating activities	132
Cash paid to employees for services	(43,410)
Cash paid to suppliers for goods or services	<u>(30,918)</u>
Net cash used by operating activities	<u>(33,946)</u>

Cash flows from non-capital financing activities:

State grants received	1,093
Federal grants received	23,723
Transfers from General Fund	<u>4,581</u>
Net cash provided by non-capital financing activities	<u>29,397</u>

Cash flows from investing activities:

Interest on investments	<u>19</u>
-------------------------	-----------

Net decrease in cash and cash equivalents (4,530)

Cash and cash equivalents beginning of year 9,150

Cash and cash equivalents end of year \$ 4,620

Meservey-Thornton Community School District
Thornton, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

School
Nutrition

**Reconciliation of operating loss to net cash used by
operating activities:**

Operating loss	\$ (42,107)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	6,934
Depreciation	742
Decrease in inventories	483
(Increase) in accounts receivable	(35)
Increase in accounts payable	<u>37</u>
Net cash used by operating activities	<u>\$ (33,946)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$6,934 of federal commodities.

See notes to financial statements.

Meservey-Thornton Community School District
Thornton, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

Agency

Assets

Cash	\$ 928
------	--------

Total assets	<u>928</u>
---------------------	------------

Liabilities

Other payables	<u>928</u>
----------------	------------

Total liabilities	<u>928</u>
--------------------------	------------

Net assets	<u><u>\$ -</u></u>
-------------------	--------------------

See notes to financial statements.

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Meservey-Thornton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Meservey and Thornton, Iowa, and the predominate agricultural territory in Cerro Gordo, Hancock, Franklin and Wright counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Meservey-Thornton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Meservey-Thornton Community School District has no component units which meet the Meservey-Thornton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin County Assessor's Conference Board.

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given

function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Special Revenue, Physical Plant and Equipment Levy Fund is used to account for revenues which can be spent for construction and remodeling of schoolhouses and for purchases of equipment in accordance with Iowa Code Chapter 298.3.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non- operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost.

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees do not accumulate earned but unused vacation. District employees accumulate a limited amount of earned but unused sick leave benefits. An accrual for earned but unused sick leave is not recorded in these financial statements because sick leave can only be used for time off for illness.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments during the year or at June 30, 2004. The District deposited its excess funds in money market checking, savings accounts and certificates of deposit during the year ended June 30, 2004.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
School Nutrition	General	\$ 4,581
Debt Service	Capital Projects	64,010
Special Revenues: Student Activity	General	<u>2,092</u>
Total		<u>\$ 70,683</u> =====

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1-30-04	1-28-05	\$ 117,797	641	117,000	1,536
2004-05A	6-30-04	6-30-05	<u>92,498</u>	<u>---</u>	<u>92,000</u>	<u>1,276</u>
			\$ 210,295	641	209,000	2,812
			=====	=====	=====	=====

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity for the year ended June 30, 2004.

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.000%	1.3100%
2004-05A	3.000%	2.4630%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated (note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>4,049</u>	---	---	<u>4,049</u>
Capital assets being depreciated:				
Land	744,813	---	---	744,813
Improvements other than buildings	55,534	772	---	56,306
Furniture and equipment	<u>517,744</u>	<u>80,383</u>	<u>5,250</u>	<u>592,877</u>
Total capital assets being depreciated	<u>1,318,091</u>	<u>81,155</u>	<u>5,250</u>	<u>1,393,996</u>
Less accumulated depreciation for:				
Buildings	298,240	14,396	---	312,636
Improvements other than buildings	45,434	772	---	46,206
Furniture and equipment	<u>374,261</u>	<u>45,295</u>	<u>5,250</u>	<u>414,306</u>
Total accumulated depreciation	<u>717,935</u>	<u>60,463</u>	<u>5,250</u>	<u>773,148</u>
Total capital assets being depreciated, net	<u>600,156</u>	<u>20,692</u>	---	<u>620,848</u>
Governmental activities capital assets, net	\$ 604,205	20,692	---	624,897
	=====	=====	=====	=====

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 20,841	---	---	20,841
Less accumulated depreciation	<u>18,094</u>	<u>742</u>	<u>---</u>	<u>18,836</u>
Business type activities capital assets, net	<u>\$ 2,747</u>	<u>(742)</u>	<u>---</u>	<u>2,005</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular

\$ 13,472

Support services:

Instructional staff

1,492

Administration

510

Operation and maintenance of plant

187

Transportation

28,766

44,427

Unallocated

16,036

Total depreciation expense – governmental activities

\$ 60,463

Business type activities:

Food service operations

\$ 742

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 290,000	---	50,000	240,000	55,000
Early retirement	<u>32,836</u>	<u>---</u>	<u>3,649</u>	<u>29,189</u>	<u>3,649</u>
Total	<u>\$ 322,836</u>	<u>---</u>	<u>33,649</u>	<u>269,189</u>	<u>58,649</u>

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage based on age at time of retirement of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. Early retirement expenditures for the year ended June 30, 2004, totaled \$3,648.

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	<u>Bond Issue of December 1, 1997</u>		
		Principal	Interest	Total
2005	4.650%	\$ 55,000	11,410	66,410
2006	4.700	60,000	8,853	68,853
2007	4.800	60,000	6,032	66,032
2008	4.850	<u>65,000</u>	<u>3,153</u>	<u>68,153</u>
Total		<u>\$ 240,000</u>	<u>29,448</u>	<u>269,448</u>

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$47,805, \$46,773 and \$50,093, respectively, equal to the required contributions for each year.

(8) Risk Management

Meservey-Thornton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$53,680 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Financial Statements

June 30, 2004

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create a new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund					Total
	General	Debt Service	Capital Projects	Special Revenue PPEL Levy	Nonmajor Special Revenue	
Net assets June 30, 2003, as previously reported	\$ 230,571	24,958	---	95,809	39,876	391,214
GASB Interpretation 6 adjustments	---	---	---	---	---	---
Net assets July 1, 2003 as restated for governmental funds	<u>\$ 230,571</u>	<u>24,958</u>	<u>---</u>	<u>95,809</u>	<u>39,876</u>	<u>391,214</u>
GASB 34 adjustments:						
Capital assets, net of accumulated depreciation of \$717,935						604,205
Long-term liabilities:						
Bonds				290,000		
Early retirement				<u>32,836</u>		(322,836)
Accrued interest payable						<u>(2,285)</u>
Net assets July 1, 2003, as restated						<u>\$ 670,298</u>

Required Supplementary Information

Meservey-Thornton Community School District
Thornton, Iowa

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances/Net Assets -
Budget and Actual (Modified Accrual Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,126,887	40,398
State sources	631,148	1,093
Federal sources	<u>64,822</u>	<u>30,657</u>
Total revenues	<u>1,822,857</u>	<u>72,148</u>
Expenditures:		
Instruction	1,090,468	-
Support services	527,587	-
Non-instructional programs	-	82,486
Other expenditures	<u>119,466</u>	<u>-</u>
Total expenditures	<u>1,737,521</u>	<u>82,486</u>
Excess (deficiency) of revenues over (under) expenditures	85,336	(10,338)
Other financing sources, net	<u>(4,581)</u>	<u>4,581</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	80,755	(5,757)
Balances beginning of year	<u>391,214</u>	<u>14,402</u>
Balances end of year	<u>\$ 471,969</u>	<u>8,645</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
1,167,285	1,133,034	1,133,034	34,251
632,241	665,549	665,549	(33,308)
95,479	65,800	65,800	29,679
<u>1,895,005</u>	<u>1,864,383</u>	<u>1,864,383</u>	<u>30,622</u>
1,090,468	1,130,000	1,130,000	39,532
527,587	604,500	604,500	76,913
82,486	100,000	100,000	17,514
119,466	170,977	170,977	51,511
<u>1,820,007</u>	<u>2,005,477</u>	<u>2,005,477</u>	<u>185,470</u>
74,998	(141,094)	(141,094)	216,092
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
74,998	(141,094)	(141,094)	216,092
<u>405,616</u>	<u>416,625</u>	<u>416,625</u>	<u>(11,009)</u>
<u><u>480,614</u></u>	<u><u>275,531</u></u>	<u><u>275,531</u></u>	<u><u>205,083</u></u>

Meservey-Thornton Community School District
Thornton, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, expenditures did not exceed the amounts budgeted.

Other Supplementary Information

Meservey-Thornton Community School District
Thornton, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2004

	Manage- ment <u>Levy</u>	Student <u>Activity</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 11,913	36,724	48,637
Receivables:			
Property tax:			
Delinquent	179	-	179
Succeeding year	<u>29,000</u>	<u>-</u>	<u>29,000</u>
Total assets	<u>\$ 41,092</u>	<u>36,724</u>	<u>77,816</u>
Liabilities and Fund Equity			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	<u>\$ 29,000</u>	<u>-</u>	<u>29,000</u>
Total liabilities	<u>29,000</u>	<u>-</u>	<u>29,000</u>
Fund equity:			
Unreserved fund balances	<u>12,092</u>	<u>36,724</u>	<u>48,816</u>
Total liabilities and fund equity	<u>\$ 41,092</u>	<u>36,724</u>	<u>77,816</u>

See accompanying independent auditor's report.

Meservey-Thornton Community School District
Thornton, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Manage- ment <u>Levy</u>	Student <u>Activity</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 20,008	-	20,008
Other	-	51,816	51,816
State sources	16	-	16
Total revenues	<u>20,024</u>	<u>51,816</u>	<u>71,840</u>
Expenditures:			
Current:			
Instruction:			
Other instruction	-	46,127	46,127
Support services:			
Administration services	5,920	-	5,920
Operation and maintenance of plant services	7,694	-	7,694
Transportation services	<u>5,251</u>	<u>-</u>	<u>5,251</u>
Total expenditures	<u>18,865</u>	<u>46,127</u>	<u>64,992</u>
Excess of revenues over expenditures	<u>1,159</u>	<u>5,689</u>	<u>6,848</u>
Other financing sources:			
Operating transfers in	<u>-</u>	<u>2,092</u>	<u>2,092</u>
Excess of revenues and other financing sources over expenditures	1,159	7,781	8,940
Fund balances beginning of year, as restated	<u>10,933</u>	<u>28,943</u>	<u>39,876</u>
Fund balances end of year	<u>\$ 12,092</u>	<u>36,724</u>	<u>48,816</u>

See accompanying independent auditor's report.

Meservey-Thornton Community School District
Thornton, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Music Fundraiser	\$ -	6,710	2,262	-	<u>8,972</u>
Athletics	(25)	2,581	2,642	93	7
Student Council	5,051	9,111	9,075	-	5,087
Fundraiser	-	23,271	18,478	-	4,793
Class of 2007	3,049	-	3,049	-	-
Class of 2008	5,309	-	-	-	5,309
Class of 2009	3,602	6,255	3,941	-	5,916
Class of 2010	-	2,617	1,968	-	649
Interest	-	93	-	(93)	-
Field Trips and Assemblies	<u>11,957</u>	<u>3,270</u>	<u>4,712</u>	<u>-</u>	<u>10,515</u>
Total	<u>\$ 28,943</u>	<u>53,908</u>	<u>46,127</u>	<u>-</u>	<u>41,248</u>

See accompanying independent auditor's report.

Meservey-Thornton Community School District
Thornton, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2004

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Deductions</u>	Balance End <u>of Year</u>
Assets				
Cash	\$ 923	5	-	928
Total assets	<u>\$ 923</u>	<u>5</u>	<u>-</u>	<u>928</u>
Liabilities				
Other payables	\$ 923	5	-	928
Total liabilities	<u>\$ 923</u>	<u>5</u>	<u>-</u>	<u>928</u>

See accompanying independent auditor's report.

Meservey-Thornton Community School District
Thornton, Iowa

Schedule 5

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Two Years

	Modified Accrual Basis	
	<u>2004</u>	<u>2003</u>
Revenues:		
Local sources:		
Local tax	\$ 843,035	705,514
Tuition	215,342	210,610
Other	68,510	62,526
State sources	631,148	630,244
Federal sources	64,822	85,617
Total	<u>\$ 1,822,857</u>	<u>1,694,511</u>
Expenditures:		
Instruction:		
Regular instruction	\$ 740,752	752,775
Special instruction	280,167	250,447
Other instruction	69,549	63,808
Support services:		
Student services	16,086	398
Instructional staff services	23,418	23,750
Administration services	254,247	242,080
Operation and maintenance of plant services	118,252	110,692
Transportation services	115,584	66,616
Other expenditures:		
Facilities acquisition	1,776	67,318
Long-term debt:		
Principal	50,000	50,000
Interest and other charges	14,010	16,315
AEA flowthrough	53,680	54,961
Total	<u>\$ 1,737,521</u>	<u>1,699,160</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of
Meservey-Thornton Community School District:

We have audited the financial statements of Meservey-Thornton Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 23, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Meservey-Thornton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meservey-Thornton Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in item I-A-04 in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Meservey-Thornton Community School District and other parties to whom Meservey-Thornton Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Meservey-Thornton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CORNWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 23, 2004

Meservey-Thornton Community School District
Thornton, Iowa

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We are doing everything we can within our situation and make improvements as the situation changes. We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Other Findings Related To Statutory Reporting:

II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

Meservey-Thornton Community School District
Thornton, Iowa

Schedule of Findings

Year ended June 30, 2004

II-B-04 Certified Budget – Expenditures for the year ended June 30, 2004 did not exceed the certified budget amounts.

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rich Miller, Board Member	Bus repairs	\$ 1,030

The transaction with the Board Member Miller does not appear to represent a conflict of interest since the transaction was less than \$2,500 as provided by Chapter 279.7A of the Code of Iowa.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-04 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

Meservey-Thornton Community School District
Thornton, Iowa

Schedule of Findings

Year ended June 30, 2004

- II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.